

**U.S. Senate**  
**Republican Policy**  
**Committee**

Don Nickles, Chairman  
Kelly D. Johnston, Staff Director  
No. 14

# Legislative Notice

Editor, Judy Gorman Prinkey

May 12, 1995

## **H.R. 483 — A Bill to Permit Medicare Select Policies to Be Offered in All States**

Calendar No. 92

Received from the House of Representatives on April 7, 1995, read the second time and placed on the Senate Calendar on April 24, 1995. No report filed in the Senate.

### **NOTEWORTHY**

- H.R. 483 would provide for permanent authorization of the Medicare Select demonstration program, which allows managed care networks to offer Medicare supplemental benefits to seniors in 15 states. The bill would extend the program, which is due to expire on June 30, 1995, to all 50 states.
- H.R. 483 passed the House of Representatives on April 6 by a vote of 408-14.

### **BACKGROUND**

Medicare beneficiaries can purchase private health insurance to cover expenses not paid by Medicare (e.g., deductibles, coinsurance, prescription drugs). These individually purchased policies, known as Medigap policies, are regulated by federal and state law.

The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) established a demonstration program under which insurers could market a Medigap product known as Medicare Select. Select policies are the same as other Medigap policies except that they may only pay in full for supplemental benefits if covered services are provided through designated health professionals and facilities known as preferred (or network) providers.

Under the Select program, full Medigap benefits are paid when network providers are used. If a beneficiary chooses to receive care from a non-network provider, Medicare still reimburses for the service. For example, Medicare covers all hospital expenses for the first 60 days once the beneficiary has paid a deductible of \$716. A Medicare Select enrollee would receive coverage for the hospital deductible if a network hospital were used. If an enrollee chose instead to obtain care from a non-network hospital, the enrollee would have to pay the full deductible. In either case, Medicare would cover the remaining hospital expenses.

The Medicare Select program, which is now limited to 15 states, is set to expire on June 30, 1995. If the program is not extended, current policyholders could remain in the program, but no additional individuals would be allowed to enroll. This could result in higher premiums for people who stay in the plans.

According to the report by the House Ways and Means Committee, Medicare Select premiums "appear to be 10 to 37 percent lower than traditional Medigap premiums, when rated on the same basis." These lower costs do not appear to have diminished the quality of care. The August 1994 issue of *Consumer Reports* ranked eight Medicare Select plans among the top 15 Medigap products in the country.

Permanent extension of the program to all 50 states is supported by the National Governors Association, the National Conference of State Legislators, and the National Association of Insurance Commissioners.

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## **BILL PROVISIONS**

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The bill authorizes all 50 states, at their option, to participate in Medicare Select through the year 2000. It also directs the Secretary of HHS to conduct a study comparing the health care costs, quality of care, and access to services under Medicare Select policies with other Medigap policies. The Secretary is directed to extend the program permanently after 2000 unless the Secretary finds that Medicare Select policies do not offer lower premiums than other Medigap plans, that the program has led to additional Medicare costs, or that the program has resulted in diminished access to care or quality of care.

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## **COST**

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In a March 8, 1995, letter to House Ways and Means Committee Chairman Bill Archer, CBO Director June O'Neill stated, "CBO estimates that enactment of H.R. 483 would not significantly affect the federal budget or the budgets of state and local governments."

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